CAPITAL REGION DEVELOPMENT COMMISSION INC.

LINKING BUSINESS, GOVERNMENT AND FINANCE

Capital Region Development Commission Inc.

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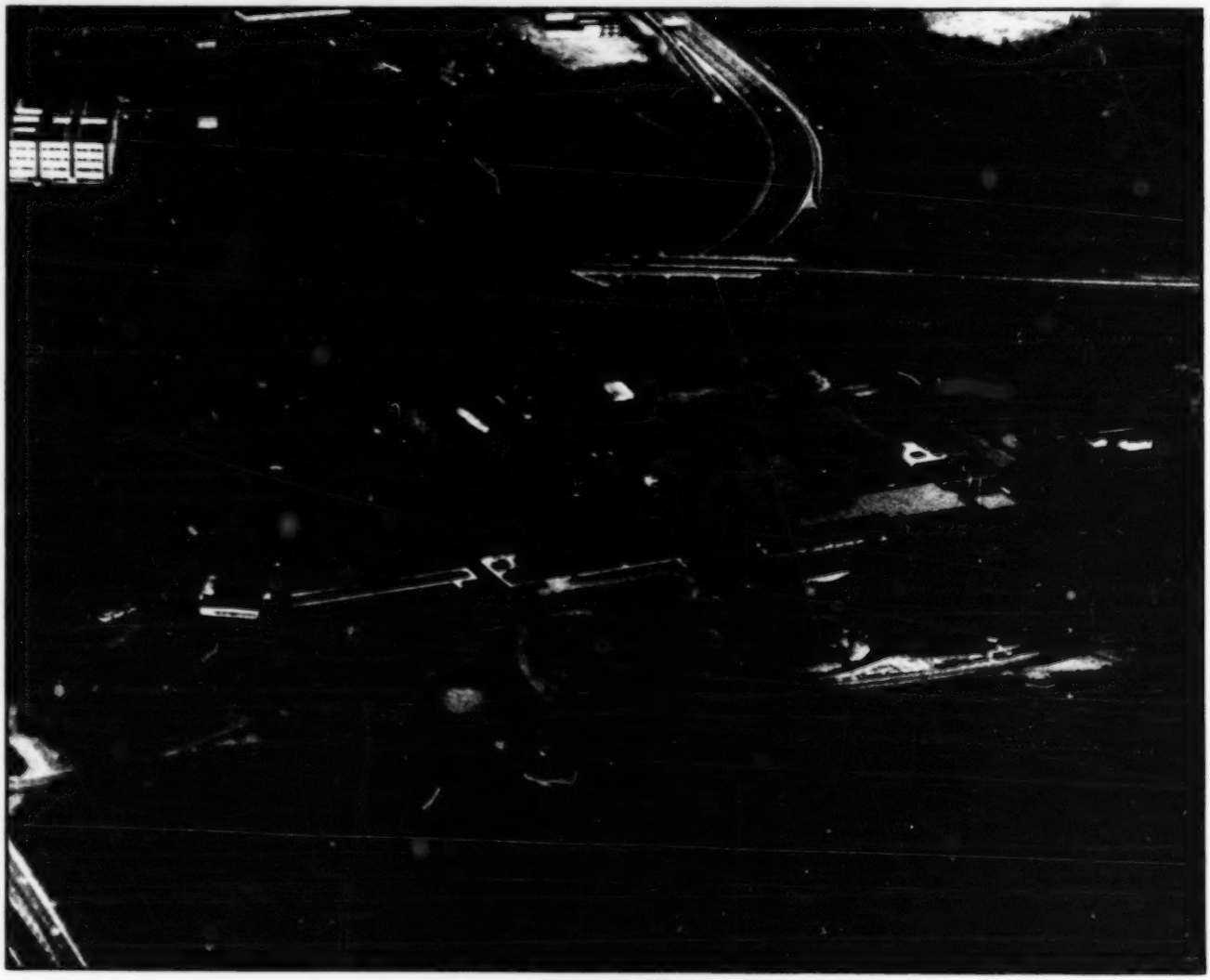
Chipman Fredericton Fredericton Junction Gagetown Harvey Station
McAdam Millville Minto Nackawic Oromocto Stanley



The Hugh John Flemming Forestry Centre

1987-88
ANNUAL REPORT
year ending March 31st 1988

Your First Link In The Chain of Business Growth

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BOARD OF DIRECTORS
APRIL/87 THROUGH MARCH/88

CHIPMAN

Mayor Bill Davidson
Murray Doherty

FREDERICTON

Mayor Brad Woodside
Councillor A. Wayne Lockhart
Councillor William E. Cooper
Darrel Spencer
Barrie Tomilson

FREDERICTON JUNCTION

Mayor Kenneth Peterson

GAGETOWN

Councillor Colin Illsley

HARVEY

Mayor Arthur Smith

McADAM

Mayor Ralph Annis
Vaughan McCluskey

MILLVILLE

Councillor George LeBlanc

MINTO

Councillor Peter Miller
David Wasson

NACKAWIC

Mayor Steven Hawkes
James Blair

OROMOCTO

Mayor William Duffie
Wayne Carnell
James Fisher

STANLEY

Councillor Earle MacNaughton

OFFICERS

President	Murray Doherty
Vice-President	Barrie Tomilson
Vice-President	Coun. George LeBlanc
Vice-President	Vaughan McCluskey
Vice-President	James Blair
Secretary-Treasurer	Stanley R. Price

STAFF

General Manager	Stanley R. Price
Assistant General Manager	Linda M. Furlought
Secretary	Heather J. Martin

REPORT OF THE BOARD OF DIRECTORS

I am pleased to present the 13th annual report of the Commission and my second as President.

There were minimal changes in the Board of Directors this year. William J. Matthews of Fredericton resigned, and is replaced by Darrel Spencer. Vaughn Blaney of Gagetown was elected as an M.L.A. and appointed Minister of Municipal Affairs and Environment. Shaun Gallagher of Minto was replaced by David Wasson. William McGregor of Oromocto moved to Winnipeg, and was replaced by Wayne Carnell. On behalf of the directors and staff I thank the former directors for their dedication, and welcome the new directors.

The operating budget for the fiscal year 1987-88 was submitted and approved by our participating municipalities and the Department of Commerce and Technology, and we are ending this year with a small surplus.

We are very pleased that the promotion of the Vanier Industrial Park is proving successful. A new study on future development of this Park by Fiander-Good Associates Ltd., a local firm, is nearing completion, and I am confident it will give us food for thought on different marketing strategies for this Park.

We are very excited about the Federal Government's Atlantic Canada Opportunities Agency. I am confident that in the coming year the Capital Region will benefit greatly from A.C.O.A. Also, our staff has been very busy with the New Brunswick Entrepreneur Program, which is a very good program for someone wanting to start a small business.

Again, this year, the Commission will be presenting Business Achievement Awards. At our Annual Dinner Meeting on May 13, 1987, we presented Business Achievement Awards to Greig Pottery Ltd., ADI Limited and St. Anne-Nackawic Pulp and Paper Ltd. It was very interesting to view the products and listen to the success stories of these award recipients, and a great inspiration to present and future entrepreneurs.

Again, this year, we have surpassed our forecast for new jobs created within the Region. The staff - Stan, Linda and Heather have been kept very busy this past year, and I would like on behalf of the Board to thank them for a job well done.

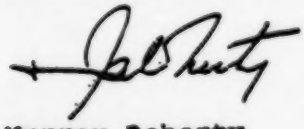
This brings me to the sad part of my report. Stan Price, our energetic General Manager, is retiring in June. He will be missed by a great many people in the Province, but knowing Stan as I do, he will not be going to the rocking chair. I imagine he will be a very active retiree.

On the brighter side, we have appointed Linda Furlought to succeed Stan as our General Manager. Linda has been with this Commission from day one filling all positions, and the Board of Directors are very confident she will do an excellent job for us.

We are looking forward to a challenging year ahead and with hard work and perseverance we will again reach and surpass our objectives in the Capital Region.

To the Directors and Staff of the Commission, my sincere thanks for your support and understanding during the past year.

Respectfully submitted,



Murray Doherty
President

April, 1988

GENERAL MANAGER'S REPORT

GENERAL

This is my sixth and will be my last annual report as General Manager of the Commission as I will be retiring in June. However, I can state emphatically that 1987-88 was the busiest and most productive year in the 12-year history of our organization.

I would like to give major emphasis in this report to the many facets of technological growth in the Capital Region. You will note on the front cover an aerial view of the new Hugh John Flemming Forestry Centre. This $80,000,000 centre was officially opened earlier this month. There is no question that it is the most advanced centre in the world for research and development in the forestry sector. Planning and construction of this project was through the joint efforts of the Federal Government, the three Maritime Provinces and the University of New Brunswick. It is of interest to note that the construction work was completed on schedule and within the fiscal budget estimates.

This is the fourth year of the five-year Strategy Plan for Economic Development which was approved by the Board of Directors in the spring of 1984. Each year we have exceeded

the goals and objectives in the plan related to new industries and jobs created in the economic base.

During this four-year period, 50 new basic industries were established in the Region and 78 firms expanded, creating a total of 838 new jobs. Companies in the economic base are those which export a major proportion of their manufactured products or services. In addition, over 50 firms not in the economic base were established or expanded during the past two years alone.

A major indication of the increasing interest in economic growth throughout the Capital Region is the number of inquiries received at our office requesting information on starting new businesses or expanding existing ones. Table 1 shows the comparative figures over the past four years.

Table 1 - New Inquiries

Item	1987-88	1986-87	1985-86	1984-85
Consulting and Information	110	85	60	39
Industrial - New	150	140	110	90
- Expansion	47	40	70	62
Commercial - New	96	60	41	41
- Expansion	20	15	8	6
TOTALS	423	340	289	238

SMALL INDUSTRY FINANCIAL ASSISTANCE PROGRAM (S.I.F.A.P.)

Canadian entrepreneurs generally agree that New Brunswick has the most successful program in the country to assist small business. Grants to eligible firms creating new manufacturing industries are 50% towards the capital construction and equipment costs to a maximum of $75,000. Last October the grant for expanding companies was increased from 30 to 50% of eligible costs. Unfortunately, this 50% figure is reverting back to 30% on April 1, 1988 because of the conflict with the Atlantic Canada Opportunities Agency program which provides grants of 30% for expansion. Table 2 outlines a comparison of grants provided and jobs created under the S.I.F.A.P. program within the Capital Region in recent years.

Table 2 - S.I.F.A.P. Projects

Year	Approved Projects	Jobs Created	Grants Approved
1987-88	35	113	$708,504
1986-87	36	116	819,205
1985-86	33	114	808,960
1984-85	36	143	785,337
1983-84	16	97	381,200
1982-83	15	93	502,300
1981-82	12	57	176,300.

The capital costs for these approved projects were $1,673,121 in 1987-88, more than twice the amount of grants received. Below is a list of companies within the Region which benefitted from S.I.F.A.P. grants during the past year. Most of them have worked through the Commission over the years and these are noted with an asterisk.

Name of Company	Location
Dunham Fish Hatchery Ltd.	Mazerolle Settlement
* Dynex Manufacturing	Fredericton
* Frame Art	Fredericton
* Maritime Fibreglass Ltd.	Minto
Webb's Dunbar Sugarbush	Durham Bridge
* Kileel Foods Ltd.	Fredericton
* K.G. Chase & Son Ltd.	Chipman
* Amco Steel Fabrication Ltd.	Maugerville
* River Valley Fish Co. Ltd.	Gagetown
* Cedar Valley Shingle Systems Ltd.	McAdam
* Richards Inc.	Fredericton
* K & B Wood Products Ltd.	Fredericton
* Aries Optical Ltd.	Fredericton
* Cedarwood Canoes Ltd.	Lower Queensbury
* Wheeler Accessories Ltd.	Fredericton
* Valley Graphics Ltd.	Fredericton
* The Printing Place	Fredericton
* Pewtercraft	Harvey
* New Brunswick Artist & Print	Fredericton
* Sound Outreach Studios	Mactaquac
* Myles Flewelling	Traceyville
* Creations Jeanne	Fredericton
* Aitken's Pewter Limited	Fredericton
* Langford Manufacturing Ltd.	New Maryland
Ben's Trophies & Awards	Fredericton
* A.R. Menzies & Sons Ltd.	Fredericton
* Trim-Line Southern (NB)	Fredericton
Eversoft Canada Limited	Fredericton
Doorcraft Manufacturing Ltd.	Fredericton
* Border Cedar Ltd.	McAdam
* Atlantic Media Works Ltd.	Fredericton
* Valley Ceramics	Fredericton
* Mynic Inc.	Oromocto
* Little's Lumber Ltd.	Harvey
* Ted Grey Signs Ltd.	Fredericton.

INDUSTRIAL RESEARCH ASSISTANCE PROGRAM

Thirty-eight industries in the Capital Region were provided research and development grants from the National Research Council of Ottawa under the IRAP-L, IRAP-M and IRAP-H programs. These projects are managed by Industry Technology Advisors working for the Research and Productivity Council in Fredericton. They involve research and development work for new and innovative products and processes.

Most of these grants were under $5,000 and involved 61 approvals, as many firms were able to benefit with more than one research project. The total value of the grants from N.R.C. funding was about $267,800 with the industries providing a comparable amount of $272,700. The N.R.C.'s share was approximately 67% larger than it was during the year 1986-87. Regional firms receiving IRAP financial assistance during the fiscal year 1987-88 are listed below.

Aitken's Pewter Limited	Fredericton
Guidecraft Signs	Durham Bridge
Biocomp Instruments Inc.	Fredericton
Border Cedar Ltd.	McAdam
Brunswick Bio-Chem Limited	Fredericton
Hillcrest Farms (1947) Ltd.	Fredericton
Howell Ventures Ltd.	Kingsclear
Images That Suit	Fredericton
Kileel Foods Inc.	Fredericton
Leeuw Concrete	Fredericton
Marenco Ltd.	Fredericton
Petrofab Ltd.	Fredericton
Schwartz Door & Trim Ltd.	Fredericton
L & A Machine Works Ltd.	Lincoln
Whirlteq Ltd.	Fredericton
Corey Feed Mills Ltd.	Fredericton

Atlantic Pressure Treating Limited	Fredericton Jct.
Black's Ribbons Ltd.	Fredericton
Elmtree Concrete Ltd.	Fredericton
L.A.B. Entreprises Inc.	Fredericton
Keywood Entreprises Ltd.	Fredericton
W.J. Beairsto Co. Ltd.	Fredericton
Marcel Entreprises Ltd.	Long Creek
Amco Steel Fabrication Ltd.	Maugerville
Tara Manufacturing Ltd.	McAdam
Wood Decor Ltd.	Minto
Phoenix Wood Products Ltd.	Nackawic
CanRay Inc.	Oromocto
Mynic Ltd.	Oromocto
P.T.L. Research Ltd.	Oromocto
Advanced Integrated Technologies Ltd.	Oromocto
Tri-Foss Entreprises Ltd.	Oromocto
E & A Industries Ltd.	Youngs Cove Road
Universal Systems Ltd.	Fredericton
Valley Forest Products Ltd.	Nackawic
Eastland Industries Limited	Minto
Habitat Homes Ltd.	Fredericton
Gemtec	Fredericton.

NEW BRUNSWICK DEPARTMENT OF LABOUR

The Employment Development Branch of the provincial Department of Labour again sponsored financial assistance programs including Jobs In Business, Career Start and the Student Venture Capital Program. In January of this year the New Brunswick Entrepreneur Program was also introduced.

In my opinion, this is one of the best programs to create permanent new businesses in Canada. It provides interest-free loans of up to $10,000 for one year to assist unemployed persons in establishing their own retail, commercial, service or industrial businesses.

Since the program was started in January, Commission staff members have processed 28 applications to the end of March. Over 50 application forms have been handed out and we have had numerous telephone inquiries about the program. All applications have to be reviewed and recommended by the Commissions in New Brunswick prior to approval by the Department of Labour. For the 1987-88 fiscal year, funds were provided to create the following jobs in the Capital Region:

County	Jobs In Business	Career Start	Student Venture	New Brunswick Entrepreneur
Queens	18	--	1	1
Sunbury	22	--	1	4
York	112	12	24	16
TOTALS	152	12	26	21.

CANADA/NEW BRUNSWICK SUBSIDIARY AGREEMENT ON INDUSTRIAL DEVELOPMENT

This agreement which was signed in December 1985 for $30,000,000 over 5 years, provides financial assistance to the private and public sectors to:

(1) improve the climate for industrial development;

(2) expand and diversify the economy; and

(3) increase domestic and foreign market penetration of New Brunswick products.

The following companies or agencies were assisted during the past year under this Sub-Agreement:

CanRay Inc. - Oromocto

$70,100 for marketing, special promotion, and for establishing a national dealer network for radiant heating panel systems.

E & A Industries Ltd. - Jemseg

$3,400 to test market a new product--a dialysis kidney fluid warming device.

Eastland Industries Ltd. - Minto

$33,950 for establishing an extensive marketing program for selling kitchen cabinets, countertops and bathroom vanities.

Major Woodworking Ltd. - Maugerville

$28,000 for hiring a general manager and installing an accounting software system.

Corey Feed Mills Ltd. - Fredericton

$16,700 for increasing marketing and sales programs for selling fish feed.

Devon Lumber Company Ltd. - Fredericton

$10,000 to upgrade record keeping systems through the purchase of computer software.

Mactaquac Ceramics Ltd. - Keswick

$5,850 for test marketing and promotion of ceramic products in other Canadian Provinces.

Aitken's Pewter Limited - Fredericton

$17,700 for establishing new markets throughout Canada and internationally.

N.G.M. International Inc. - Fredericton
(Neill and Gunter Limited)

$114,000 for conducting an extensive study to determine the viability of establishing a structural composition board mill in northwestern New Brunswick.

Merv's Bakery Ltd. - Fredericton

$11,700 to improve co-ordination in manufacturing and monitoring the quality of bakery products.

Veneer Products of N.B. (1981) Ltd. - Napadogan

$111,000 for installing automatic railway crossing protection at the plant and a computerized accounting system.

Savage Industries Ltd. - Fredericton

$5,000 for a study to determine markets for manufacturing bicycles.

Valley Machine Works Ltd. - Nackawic

$12,500 to improve the company's overall productivity for manufacturing sawmill lumber handling equipment.

A. R. Menzies & Sons Ltd. - Fredericton

$13,520 to hire a prosthetic-orthotic technician to improve methods in the manufacture of specialty items for handicapped persons.

Capital Region Development Commission Inc., Town of Oromocto

$50,400 for asphalt paving of roadways in the Oromocto East Industrial Park.

Province of New Brunswick

$24,280 for production of a provincial video which will feature successful women entrepreneurs from around the province. It will be made available to schools, colleges, universities, as well as to business and women's associations. The contract was awarded to Telecreation Video and Film Productions of Riverview.

University of New Brunswick

$800,000 for a "Centre of Excellence in International Marketing." This Centre will be the basis for:

- the development of educational programs
- the dissemination of research results
- the provision of consultation and advice on international marketing issues for businesses in the province
- encouraging mutual development and fostering the international competitiveness of New Brunswick firms in world markets.

The grants provided under this Sub Agreement were $1,340,620 out of total project costs of about $1,840,000.

During most of 1987, this Sub Agreement had been administered federally by the Department of Regional Industrial Expansion (DRIE) and provincially by the Department of Commerce and Technology. However, late in 1987 the new Atlantic Canada Opportunities Agency assumed the responsibility for administering this agreement on behalf of the federal government.

CANADA/NEW BRUNSWICK SUBSIDIARY AGREEMENT ON TOURISM DEVELOPMENT

This $32,000,000 Sub Agreement was signed in 1985. In August, 1987, an additional $20,000,000 was added to the program, funded $14,000,000 federally and $6,000,000 provincially. Several companies received grants through this program during the past year.

Crabbe Mountain Winter Park Ltd. - Lower Hainesville

$850,000 to assist the park expansion by adding a quadruple chairlift, purchasing new snow grooming and packing equipment, installing snow-making equipment, trail lighting on 50% of existing trails and clearing land for a new 3-acre parking lot. This expansion will provide an additional two full-time positions and 25 seasonal jobs. The park already provides two permanent and 50 seasonal jobs.

Wandlyn Inn - Fredericton

$110,600 towards the cost of modernizing 34 of its rooms, adding an outdoor patio, improving the banquet area and installing a new outside reader board sign. The company also received $5,140 to help defray the costs incurred at a recent vacation and travel show in Boston.

Larry and Lois Neil - Nackawic

$3,000 for a study to determine the potential of a lodge and cabins on a site near the entrance to the Crabbe Mountain Winter Park.

Kelly's Sporting Lodge Ltd. - RR #6, Fredericton

$6,530 over three years to assist in promotion of the lodge at outdoor and vacation shows in New York City.

Chickadee Lodge - Prince William

$10,750 over three years to help defray the costs of attending outdoor vacation shows in the United States to promote the lodge and its facilities.

City of Fredericton

$10,500 towards the $28,000 cost of producing a video designed to attract meetings and conventions in the City.

River Bend Lodge - Chipman

$40,000 to establish a new outfitting operation on the Gaspereau River. Three additional cabins will be constructed and long range plans are for 20 units and a year-round business. Two full-time jobs will be created.

The grants provided under this Sub Agreement were $1,036,500 out of total project costs of approximately $2,792,200.

This Sub Agreement is administered federally by the Department of Regional Industrial Expansion (DRIE) and provincially by the Department of Tourism, Recreation and Heritage.

CANADA/NEW BRUNSWICK SUBSIDIARY AGREEMENT ON INDUSTRIAL INNOVATION AND TECHNOLOGY DEVELOPMENT

This Sub Agreement was signed in May, 1986. It provides $28,600,000 over five years for private sector participation in planning for the development of technology required to advance manufacturing in the province. 1987 was the first year to show the positive results of this Sub Agreement and several major projects were approved.

Establishment of Three Task Groups

- Aquaculture
- Forest Products
- Food Service and Technology.

The Task Groups' duties are to identify and prioritize key technology strengths and opportunities and to determine appropriate means, direction and levels of public sector support for development efforts in these key areas.

The Task Groups will recommend ideas for developing the facilities and capabilities to support technological innovation while building on the strengths of these existing industries.

Representatives from the Capital Region on the three Task Groups are:

Aquaculture

Dr. Bev Bacon - NB Research and Productivity Council
Dr. Michael Burt - UNB Department of Biology
Kerry Wilson - Department of Fisheries.

Forest Products

Bert Pelletier - Wood Decor Ltd., Minto
John Torunski - Maritime Forest Ranger School
Gordon Baskerville - University of New Brunswick
Don Lockhart - NB Forest Products Association
Maurice Bernier - Department of Commerce and Technology
Bill Bell - Department of Regional Industrial Expansion.

Food Science and Technology

Dr. Bev Bacon - NB Research and Productivity Council
Maurice Bernier - Department of Commerce and Technology.

Wood Science and Technology Centre - Fredericton

A Wood Science and Technology Centre (WSTC) will be established by the University of New Brunswick with a $450,000 grant under this Sub Agreement.

The WSTC will strengthen the educational and research activity of wood science and technology by providing for more relevant linkage between academia and industry.

New co-operative Research and Development initiatives with industry are expected to develop from the establishment of this centre and, as a result, industry in New Brunswick will become more competitive in the world market place.

INCUTECH - Incubator Technology Centre - Fredericton

A proposal to establish an incubation centre was developed by the University of New Brunswick in conjunction with the NB Research and Productivity Council. A contribution of $1,300,000 from this Sub Agreement was approved in October, 1987.

The Centre will be located in the former Canadian Forestry Service buildings on the UNB Campus. The C.F.S. moved to the Hugh John Flemming Forestry Complex earlier this year.

Catering specifically to the high-tech field, the incubation centre will be a kind of innovative greenhouse where new ideas, new processes and new inventions can be nurtured and tested. It is anticipated that this venture will help to strengthen and increase New Brunswick's progress to date in technology innovation, economic growth and job creation.

The idea behind the centre is to reduce the cost of setting up technology-oriented businesses by providing low-cost space and extensive on-site services.

A Board of Directors has been appointed for this project called Incutech. A General Manager will soon be appointed by the Board and the centre should be in operation by the summer of 1988.

Board members from the Capital Region are:

Ron Stuart - UNB Research and Development Office
Frank Wilson - UNB Dean of Engineering
Peter Lewell - Deputy Director, R.P.C.
William Patterson - Science and Technology Secretariat
Dept. of Commerce and Technology
Brian Dick - Atlantic Canada Opportunities Agency.

Agrofor Biotechnology Ltd. - Fredericton

This company will receive funding towards the cost of developing a synthetic repellant chemical to protect agricultural and forestry crops from browsing damage by deer and rabbits.

Agrofor will be given an interest-free repayable loan of $53,100 for this project as well as a further repayable loan of $23,760 towards the costs of developing non-toxic additives, with controlled release rates, to improve the performance of agriculture and forestry insecticides. Both

products will be of considerable benefit to NB tree and agricultural product growers. Four new jobs will be created by the two projects.

UNB Science and Forestry Library - Fredericton

The Library will extend its up-to-the-minute computerized reference services to professionals in industry and the private sector. Funding of $57,350 will be provided under the Sub Agreement.

Installation of a computer and the hiring of an information co-ordinator will give access to national and international data banks. With this modern equipment, a world of data will be made available immediately to researchers in the region. This new technology transfer will save many hours of work and speed up research of vital concern to New Brunswick.

Technology Ventures Initiative

Technology Ventures Initiative (TVI) is a unique support program which helps New Brunswick entrepreneurs, innovators and inventors commercialize new technologies.

Over three years ago, the province hired the consulting firm of Arthur D. Little of Canada Ltd. of Toronto to develop a Science and Technology Strategy for New Brunswick. The goal of the study was to produce a long-term strategy work plan to

stimulate economic growth and employment and encourage the development and adoption of new and existing technology in NB industry.

One of the results of the study was to establish the Science and Technology Secretariat, a new section of the Department of Commerce and Development. At the same time the name of the Department was changed to Commerce and Technology. A further decision was to create the Technology Ventures Initiatives office, separate from the Department. It is administered by a staff of professionals in business development, finance, marketing and engineering and is funded under this Sub Agreement with no fees charged for services.

It provides a broad spectrum of services including:

- identifying and evaluating inventions and new ideas;
- assisting potential entrepreneurs to access business planning and marketing expertise; and
- identifying and establishing contact with sources of financing.

The grants provided under this Innovation Sub Agreement total about $1,877,700 plus the costs of operation for the TVI. This Sub Agreement is administered federally by the Atlantic Canada Opportunities Agency and provincially by the Department of Commerce and Technology.

Atlantic Enterprise Program

The Atlantic Enterprise Program (AEP) was announced by the Government of Canada in 1986. It is a special federal initiative designed to give loan insurance and interest buy-downs to Atlantic Canada companies.

The following three major industries were assisted financially by this program in the past fiscal year:

Crabbe Mountain Winter Park Ltd. - Lower Hainseville

> In addition to the federal-provincial contribution under the Canada/New Brunswick Sub Agreement on Tourism Development, the AEP provided the company with a guarantee on a bank loan of $1,250,000 and a buy-down on the interest charges by 5%, equivalent to a federal contribution of $333,555.

Eastern Gypsum Inc. - McAdam

> Under the AEP, the government will insure 85% of a major term loan to the company and will buy-down the interest on this loan by 6%, equivalent to a contribution of $6,200,000. Also, under the Industrial and Regional Development Program (IRDP) the federal government will provide a $4,760,000 repayable contribution.
>
> This will be one of the largest industrial projects in the Capital Region in recent years. The estimated cost of the gypsum plasterboard plant will be about $32,700,000 and will be located in the former Georgia Pacific mill in McAdam.
>
> In announcing the government assistance, Bernard Valcout, Minister of State for Small Business and Tourism, said, "This project exemplifies the ideal private sector/government partnership. It combines the initiative and business knowledge of local entrepreneurs William Depow and his daughter Barbara Durling with financial support in a business venture which will create jobs and economic growth in the region."

The gyproc plant, which will use raw material from the Sussex area, will initially employ 90 workers when it opens for production in 1990. The Depows hope this will be increased to 120 permanent jobs within a further three years.

Veneer Products of NB (1981) Ltd. - Napadogan

This plant was largely destroyed by a fire in September 1986. In July of last year the Company received a contribution of $116,440 under the IRDP Program. This will be used to replace the veneer mill and rebuild some of the machinery damaged in the fire. Some new pieces of equipment were also puchased to make the mill operational.

From the Atlantic Enterprise Program, the company was assisted by loan insurance and a 6% interest buy-down, equivalent to additional funding of $134,500. By re-establishing the plant, 27 persons were put back to work and 5 new jobs were created at a total project cost of $665,400.

The approved financial assistance for these three projects was approximately $12,400,000.

For most of the year 1987, the Atlantic Enterprise Program was administered by the federal department of Regional Industrial Expansion. Late in the year this responsibility was transferred to the new Atlantic Canada Opportunities Agency.

ATLANTIC CANADA OPPORTUNITIES AGENCY

This proposed Agency was first mentioned in the federal government plans in 1986. Recommended terms of reference were developed during the following winter months. Finally,

in June 1987, the Prime Minister announced the opening of the Atlantic Canada Opportunities Agency head office in Moncton with provincial offices in the capital cities of the four Atlantic Provinces.

Mr. Donald McPhail, the Canadian Ambassador to West Germany, was named President of the Agency. A short while later, Pat Blanchard, former Director General of the federal Department of Regional Industrial Expansion, was made Senior Vice President. Subsequently, Frank Swift of DRIE was appointed Vice President of the New Brunswick office in Fredericton.

Legislation was introduced into the House of Commons in December of last year and an all-party legislative committee held hearings in the four Altantic Provinces to receive briefs and comments on the proposed legislation. It is expected that the third reading and Royal Assent will be given to the ACOA bill in May.

As outlined previously in this report, ACOA has assumed administrative responsibility for several federal programs including the Industrial Regional Development Program (IRDP), the Atlantic Enterprise Program (AEP), the Canada/New Brunswick Subsidiary Agreement on Industrial Development, and the Canada/New Brunswick Subsidiary Agreement on Industrial Innovation and Technology Department.

ACOA has created its own new Action Program for grants and loans to businesses and industries. A larger number of businesses in the service sectors have been included for federal funding.

This Action Program classifies seven main areas of assistance adapted to the special needs of Atlantic Canada. These are Loan Insurance, Interest Buy-Downs, Business Support, Studies, Innovation Assistance, New Facility Establishment and Expansion/Modernization/New Product Expansion. Details are available at the CRDC office or the ACOA provincial headquarters building at the corner of Brunswick and Regent Streets in the City of Fredericton.

By the end of our fiscal year on March 31, 1987 the provincial ACOA had received over 400 applications for financial assistance and had approved about 100 projects. The number of staff members and consultants working in Fredericton is increasing at a good rate and should total over 50 by the end of 1988.

Of course, the CRDC office is in daily contact with the ACOA staff and we are impressed with the reduction in approval time for applications compared with previous federal programs. I am confident that the ACOA concept will succeed where others have failed in Atlantic Canada. The main reason

is that approvals for projects with eligible costs of up to $1,000,000 will be given by staff at our provincial office--no ratification will be required by officials and politicians in Ottawa. In effect, applications by New Brunswickers will be scrutinized and approved by New Brunswick people. This is an important first for any program ever instituted in Atlantic Canada in previous years.

MAJOR PROJECTS IN THE CAPITAL REGION

During the past year several major projects have been completed or are under construction including:

Hugh John Flemming Forestry Centre
RCMP Headquarters Building
Sobeys Distribution Centre in Oromocto
Eastern Veneer Plant in McAdam
UNB Head Hall Engineering Building
Do-It Centre and 24-lane Bowling Alley
Marysville Cotton Mill
Minto-Chipman Hospital and Nursing Home
NB Research and Productivity Council
Old Gleaner Building, Renovations and Expansion
Horsnell Building, Renovations.

Other large projects which are now in the final planning stages and should start in 1988 are:

$74,000,000 CFB Combat Training Centre in Oromocto

$32,700,000 Eastern Gypsum Plant in McAdam

$3,000,000 Eastern Drug Distribution Centre in Fredericton

$20,000,000 Regent Mall Expansion in Fredericton

$12,000,000 Condominium Project in Fredericton

$4,000,000 Addition to Dr. Everett Chalmers Hospital in Fredericton

$10,000,000 Expansion of Lord Beaverbrook Hotel in Fredericton.

VANIER INDUSTRIAL PARK

The City of Fredericton, the Province of New Brunswick and the CRDC completed an agreement last fall with regard to the future allocation of revenues from sales in the Vanier Industrial Park.

The City was in a deficit position because of its share of the municipal services, interest and taxes over the past several years. It had expected to pay these costs from the land sale revenues. However, because of the 1981-82 recession, there were no sales in the park until 1987 when Eastern Drug Services Limited (Medis Inc.) purchased 10 acres.

The agreement provided for increasing the City's share of net land sale revenues from 60% to 90%, while the CRDC share was reduced from 40% to 10%. The 60-40 ratio was still in effect for the land sale to Eastern Drug.

During the past few months we have been getting increased interest from entrepreneurs for the purchase of land in the Vanier Industrial Park. Two acres have recently been

optioned and four acres are on a first refusal basis. We are currently discussing lot purchases with three other firms.

BUSINESS ACHIEVEMENT AWARDS

Three companies in the Capital Region were honoured with Business Achievement Awards by the CRDC Board of Directors at the Annual Meeting last May. They were:

ADI Limited, Consulting Engineers - Fredericton
Greig Pottery Ltd. - Gagetown
St. Anne Nackawic Pulp and Paper Co. Ltd. - Nackawic.

The three companies set up exhibits and products at the meeting for over 185 business people. John Dean, President of ADI, Flo Greig, President of Greig Pottery and Barry Stephen, Vice president and General Manager of St. Anne Nackawic, each gave interesting summaries of past achievements, present operations, and future plans for their respective companies.

An honoured guest at the Annual Meeting was Joyce Watling, wife of Past President Lloyd Watling. He did a great deal over the years as a CRDC member, and latterly as President, to promote economic development in the region through our Commission. President Murray Doherty presented Joyce with a special pottery vase, crafted by Flo Greig for this important occasion.

PROMOTION OF THE COMMISSION

During the past year, several promotional projects were undertaken by the Board and Staff. A meeting was arranged in March with the MLA's in the Capital Region so they could become more familiar with the Commission's operation.

The Commission produced and sent out several newsletters to about 700 businesses in the Capital Region; a basic information brochure on the Commission and its activities; and a booklet on "How To Start a Business." In addition, the Department of Commerce and Technology produced a Directors' Handbook, which was given to all Directors of the 13 Commissions in the Province.

A major promotion program is being undertaken by our Commission in 1988. The province funded a study by Atlantic Media Works which was completed in March of this year. A number of recommendations were made by the Consultants and the Board of Directors is considering several of these for action later this year.

The Commission co-sponsored or participated in several seminars and workshops during the past year. We had a booth at the first Women's Trade Fair and promoted programs for women entrepreneurs in the Capital Region. Most of the other seminars were on the topic of "How to Start a Business."

STUDY OF COMMISSIONS

The Department of Commerce and Technology hired the firm of Price Waterhouse in 1987 to undertake a comprehensive review of the role of the NB Commissions in economic development. The Study has been received and it is expected that the province will be releasing its findings and recommendations later this spring. The last comparable study was done in 1978.

DOWNTOWN REVITALIZATION

The long-term discussions on a downtown or uptown mall were resolved last fall to the satisfaction of most citizens of Fredericton. The two proponents--Tritor and Westcliff--agreed to a joint proposal for a $20,000,000 expansion of the Regent Mall. This was approved by City Council and set the stage for several entrepreneurs to initiate projects in the downtown area. The Downtown Development (Fredericton) Inc. office played a major role in the resolution of the mall issue and future downtown development proposals.

Several projects have already started, such as the renovations and expansion to the former Gleaner Building, renovations to the Horsnell Building, the first phase of the Centrum project, the Central Trust and Bar-B-Q Barn expansions, etc. Among the projects in the final planning

stages are the Lord Beaverbrook Hotel expansion, the proposed Lighthouse, a marina, a large condominium project on the river front and the relocation of the NB Liquor Store Building. Several others may be announced later in the year.

COMMISSION FINANCES

I am pleased to report that the Commission is in good shape financially. The surplus on the operating budget was $228 on a 1987-88 budget figure of $187,934. In addition, interest and dividends earned on our various accounts totalled $2,336.

In June of this year, the Commission will receive its 40% share of over $67,000 from the sale of lands in the Vanier Industrial Park to Eastern Drug Services Limited (Medis Inc.). This will be put into our Land Development Fund.

ECONOMIC CLIMATE

As shown in Table 1, our office has received more inquiries than ever before from persons wishing to start new businesses or companies wanting to expand. The large number of firms listed in this report which have taken advantage of financial funding programs indicates the healthy economic growth in the Capital Region. Of course, many other companies have started or expanded which were not eligible for any government assistance.

The value of building permits issued by several Regional municipalities have been increasing to record levels. With interest and inflation rates remaining fairly reasonable, entrepreneurs are more willing to finance projects for a longer term. Prior to 1987, this was not the case as the economic climate was very uncertain. The unemployment rate is dropping in Atlantic Canada and this is a good indication of increased confidence by the business community.

One of the more successful sectors of our economy has been the performance of the mining industry. The total value of minerals produced in the Province increased last year by 40% over 1986 to about $701,000,000. Contributing to this increase were the antimony mine at Lake George near Harvey and the coal mines in Minto. Several mining and exploration companies and consultants have offices in the Capital Region.

The majority of manufacturing and commercial businesses in this region support free trade with the United States. It is hoped that the Free Trade Agreement will be approved by both countries by this fall with an effective starting date of January 1, 1989.

CONCLUSION

As outlined in this report, the fiscal year 1987-88 has been a most successful one for the Capital Region Development Commission. Much has been accomplished as we have again exceeded the goals and objectives during the fourth year of our 5-year Economic Strategy.

Within the next few months, the Board of Directors will have to consider arrangements for the second five-year development plan for the Capital Region. Many changes are being brought about by the Study of Commissions, the changing roles of the Provincial Department of Commerce and Technology, the Atlantic Canada Opportunities Agency, the provincial Departments of Labour and Tourism, etc.

The NB Industrial Commissioners' Association has presented a brief to ACOA for funding to obtain additional staff in order to provide increased assistance to the business community. We could be much more effective to commerical and industrial firms if we had the human resources required to do the work adequately.

As noted previously in this report, the Commissions throughout the province are being asked to assist directly in more and more federal and provincial programs. We do not

mind this because it means more economic growth for our regions. However, we have taken on this additional workload with the same number of staff as we had five years ago. The present system must be changed and I am confident that it will be with the future co-operation of the provincial Department of Commerce and Technology and the Atlantic Canada Opportunities Agency.

Last year I completed several years on the Executive Committee of the NB Industrial Commissioners' Association, latterly as President. I was pleased that Linda Furlought was elected to the position of First Vice-President.

Linda was also honoured last September to be re-elected for a second 2-year term on the national Board of Directors of the Industrial Developers' Association of Canada. In this position she is able to obtain experience of the overall Canadian view of economic development. The Association holds Board meetings about four times each year including the national conference.

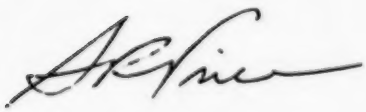
We have continued to have good relations with members of the media, municipal officials, staffs of the provincial and federal governments and various business and civic agencies. I thank them all for their assistance.

I would like to give a special thanks to Claire LePage, Art Goodwin and Paul DeLong of the Department of Commerce and Technology. They have given good support to our staff members throughout the year.

I have enjoyed working with the members of the Boards of Directors over the past six years. During that period there have been four Presidents--Bob Scammell, John MacGillivray, Lloyd Watling and Murray Doherty. The 21 Board members are appointed by the 11 member municipalities and everyone has done a good job for their communities. As I have often mentioned, New Brunswick has the only Commission system in Canada and it works very well. I want to express my sincere thanks to all Board members for their encouragement and full support over the past few years.

I want to give my personal thanks to Linda and our very capable Secretary Heather Martin for their excellent work and dedication to the Commission throughout the year. They have spent many hours of their evenings and weekends doing Commission work when necessary and it is much appreciated.

Finally, I wish Linda Furlought every success as she assumes the position of General Manager and Secretary-Treasurer of the Commission in July. Her many years of experience in various positions in economic development will serve her well in the years ahead. The Board of Directors made a prudent decision with her appointment.



Stanley R. Price
General Manager

April, 1988

CAPITAL REGION DEVELOPMENT COMMISSION INC.

Financial Statements

March 31, 1988

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ROBERTSON DAYE
CERTIFIED GENERAL ACCOUNTANTS

ROBERTSON DAYE
CERTIFIED GENERAL ACCOUNTANTS

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AUDITORS' REPORT

To the Chairman and Members of the Board
Capital Region Development Commission Inc.

We have examined the baiance sheet of CAPITAL REGION DEVELOPMENT COMMISSION INC. as at March 31, 1988, and the statement of income and the statement of equity for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Commission as at March 31, 1988, and the results of its operations for the year then ended in accordance with an appropriate basis of accounting for non-profit organizations (see note 1 to the financial statements) applied consistently with the preceding year.

Robertson Daye

CERTIFIED GENERAL ACCOUNTANTS

Fredericton, New Brunswick
April 11, 1988

CAPITAL REGION DEVELOPMENT COMMISSION INC.

Balance Sheet

March 31, 1988

	1988	1987
ASSETS		
CURRENT		
Cash	$ 1,572	$ 2,255
Accounts receivable	992	-
	2,564	2,255
OTHER		
Cash and investments - Land Development Fund	40,815	38,000
Cash - Technology Coordinator Fund	7,894	7,517
	$ 51,273	$ 47,772
EQUITY		
LAND DEVELOPMENT FUND	$ 40,815	$ 38,000
TECHNOLOGY COORDINATOR FUND	7,894	7,517
SURPLUS	2,564	2,255
	$ 51,273	$ 47,772

APPROVED BY THE COMMISSION

_____ Director

_____ Director

ROBERTSON DAYE
CERTIFIED GENERAL ACCOUNTANTS

CAPITAL REGION DEVELOPMENT COMMISSION INC.

Statement of Equity

Year Ended March 31, 1988

	1988	1987
OPERATING SURPLUS		
Balance - Beginning of year	$ 2,255	$ 98
Surplus for the year	2,564	2,255
	4,819	2,353
Contributors' contribution	(2,255)	(98)
Balance - End of year	$ 2,564	$ 2,255
LAND DEVELOPMENT FUND		
Balance - Beginning of year	$ 38,000	$ 40,553
Interest earned	28	31
Dividends earned	2,787	2,305
Capital expenditures	-	(4,889)
Balance - End of year	$ 40,815	$ 38,000
TECHNOLOGY COORDINATOR FUND		
Balance - Beginning of year	$ 7,517	$ -
Contributions	-	7,325
Interest earned	377	192
Balance - End of year	$ 7,894	$ 7,517

ROBERTSON DAYE
CERTIFIED GENERAL ACCOUNTANTS

CAPITAL REGION DEVELOPMENT COMMISSION INC.

Statement of Income

Year Ended March 31, 1988

	1988	1987
INCOME		
Grants	$ 187,934	$ 170,030
Administration fee	754	711
Interest	1,582	1,466
	190,270	172,207
EXPENSES		
Salaries and employee benefits	102,644	98,805
Consulting and special fees	2,834	1,926
Office	29,803	30,611
Travel	16,920	13,767
Promotion and advertising	34,096	23,300
Other	1,409	1,543
	187,706	169,952
SURPLUS FOR THE YEAR	$ 2,564	$ 2,255

ROBERTSON DAYE
CERTIFIED GENERAL ACCOUNTANTS

CAPITAL REGION DEVELOPMENT COMMISSION INC.

Notes to Financial Statements

March 31, 1988

1. SIGNIFICANT ACCOUNTING POLICIES

a) The Commission has adopted the policy of charging the purchase of office furniture and equipment to expenses in the year paid. Purchases during the current year were $3,472 (1987, $7,310).

b) In all other respects, the financial statements are in accordance with generally accepted accounting principles.

2. COMMITMENT

The Commission occupies office premises under a lease agreement expiring in 1989. The lease requires minimum annual rental payments of $10,780 for the twelve months ending May 31, 1988, and $11,212 to May 31, 1989.

3. Under the terms of the agreement with the Department of Commerce & Technology, the Commission must repay a portion of the current year's operating surplus. For the year ended March 31, 1988, this amount is $175.82 (1987 - $58.27).

ROBERTSON DAYE
CERTIFIED GENERAL ACCOUNTANTS

CAPITAL REGION DEVELOPMENT COMMISSION INC.

Comparison of Income and Expenses to Budget

Year Ended March 31, 1988

	Actual	Budget	Surplus (Deficit)
INCOME			
Province of New Brunswick	$ 144,923	$ 144,923	$ -
Fredericton	29,541	29,541	-
Oromocto	6,125	6,125	-
Minto	2,297	2,297	-
McAdam	1,257	1,257	-
Chipman	1,234	1,234	-
Nackawic	916	916	-
Fredericton Junction	481	481	-
Gagetown	417	417	-
Stanley	292	292	-
Harvey	240	240	-
Millville	211	211	-
	187,934	187,934	-
Other income	2,336	-	2,336
	190,270	187,934	2,336
EXPENSES			
Salaries and employee benefits			
Salaries and benefits	100,988	101,080	92
Casual wages	1,656	1,500	(156)
	102,644	102,580	(64)
Consulting and special fees	2,834	3,000	166
Office			
Rent	10,712	10,712	-
Hydro	1,045	1,200	155
Office maintenance	1,746	1,800	54
Telephone	4,976	4,900	(76)
Stationery and supplies	6,658	6,500	(158)
Office equipment and expenses	3,472	3,014	(458)
Computer software	1,194	1,000	(194)
	29,803	29,126	(677)
Travel			
Car allowance and mileage	10,456	10,450	(6)
Business trips	6,464	6,800	336
	16,920	17,250	330
Promotion and advertising	34,096	33,978	(118)
Other			
Interest and bank charges	306	550	244
Professional fees	750	900	150
Miscellaneous	353	550	197
	1,409	2,000	591
	187,706	187,934	228
EXCESS OF RECEIPTS OVER DISBURSEMENTS	$ 2,564	$ -	$ 2,564

ROBERTSON DAYE
CERTIFIED GENERAL ACCOUNTANTS